

# WOMEN AND DIVORCE



## A mini-lesson for:

adult and community educators  
secondary school teachers  
students and consumers

This lesson includes learning objectives, background information, discussion questions, an activity and additional sources of information.

## OBJECTIVES

Learners will:

- ◆ consider consumer credit issues in separation and divorce
- ◆ know the importance of establishing a credit history
- ◆ plan for personal financial independence throughout life

Even when your marriage is in fine shape, it pays to think about the possibility of a divorce in your future. Today, more marriages end by divorce than by death of a spouse, and all divorces have financial as well as legal and emotional consequences. While your lawyer can protect your legal rights, the financial aspects of the divorce need just as careful attention, because they will directly affect your future standard of living.

## Credit Issues And Divorce

In divorce, who suffers more financially, women or men? Divorce has significant impact on the financial situations of both spouses as they divide assets and establish separate

households. Women often experience greater hardship because they have custody of the children, their incomes are usually less than their ex-spouse's, and they may have accepted a minimal financial settlement during the divorce. Smart Money reported that 26% of women experienced a decline in their standard of living in the first year after divorce.

Effective communication is difficult during a divorce, yet the more you can separate the financial aspects, the sooner you will be able to make a clean financial break. Here is a checklist of things to talk about during the divorce process:

- ◆ Discuss all the credit accounts held jointly, such as mortgage, home equity loans and credit cards. You should notify your creditors of your decision to divorce and reopen the accounts in only one spouse's name. This will also help each spouse establish individual credit records.
- ◆ The Equal Credit Opportunity Act states that a creditor cannot close a joint account because of a change in your marital status. However, a creditor can close the account at the request of either spouse. The creditor may require each spouse to reapply for credit on an individual basis. With either a mortgage or a home equity loan, a creditor usually will require refinancing to one spouse.
- ◆ A joint account makes both spouses legally responsible for all credit debt. Even if the divorce decree states that one of the spouses will assume the responsibility of a debt, if both names are on the account, the other spouse can become legally responsible for the debt if the other spouse does not pay. A divorce decree is a legal document between the couple, but creditors do not really care who is required to be responsible. Creditors can and will try to collect from either spouse. This is particularly important for credit cards. If the account remains open during or after the divorce, then your ex-spouse can charge large amounts and leave you with the bill to pay.
- ◆ During the divorce process, make sure that all credit accounts are being paid or both credit records will indicate nonpayment or late payment. Both spouses are liable for the debt on any outstanding balance on a joint account.

## **Establish Your Own Credit Record**

All women should establish credit in their own names. If you have never used credit or if your credit is in someone else's name, you should start building a credit file now. Start slowly. The credit bureaus will have a record of each application. If you apply for too many accounts, some creditors may feel that you are exceeding your ability to pay so they may deny you credit. The following guidelines may help:

- ◆ If you have used credit under a different name or in a different location, check to see that your local credit bureau has complete and accurate information and that it can be transferred to your new name.
- ◆ Open your own checking, savings and credit accounts and show that you can handle money in a responsible manner.

- ◆ When you marry or divorce and change your name, notify all creditors. When the accounts are transferred to your new name, your credit history will be more up-to-date.
- ◆ Request that your credit transactions be kept separate from your husband's so that even if you have no income you do have a record of being dependable and responsible.
- ◆ If you had joint accounts with your former husband, check with the local credit bureau to verify that your credit file is in your own name and lists all the joint accounts. If all the credit information was only in your husband's name, the credit bureau may be willing to add that information to your file.
- ◆ Apply for an overdraft privilege on your checking account. This is considered a personal loan and is an easy type of credit to obtain if you have no previous credit record but are known at the bank branch. Use this credit line for a significant expenditure and repay it on schedule. The record of repayment will appear on your credit report.
- ◆ Income-producing assets such as stock or bonds can be transferred from your husband's name to a joint account or to your name alone. This may give you sufficient income to qualify for loans or credit cards.

## Credit Bureaus

The companies that gather and sell your credit information are called Consumer Credit Reporting Agencies. The most common type of consumer credit reporting agency is the credit bureau. The information sold by these agencies to creditors, employers, insurers, and many other legal businesses is called a Consumer Credit Report. The report generally contains information about where you work, where you live and your bill-paying habits and abilities. The credit grantor uses your credit report to decide whether you qualify for a loan or a credit card.

Any woman, whether married, divorced, separated or widowed should check to see that the credit bureau has accurate and complete credit information in her name. You can find your local credit bureau by looking in the Yellow pages under, "Credit" or "Credit Rating and Reporting Agencies." Or you can write or telephone one of the three major credit bureaus in the United States:

Equifax - <http://www.equifax.com>  
 P.O. Box 740241  
 Atlanta, GA 30374  
 (800) 685-1111

Trans Union - <http://www.transunion.com>  
 Customer Relations Dept.  
 760 West Sproul Road.  
 P.O. Box 390  
 Springfield, PA 19064-0390  
 (800) 916-8800

Experian - <http://www.experian.com>  
P.O. Box 949  
Allen, TX 75013-0949  
(888) 397-3742

The **Fair Credit Reporting Act** - <http://www.ftc.gov/os/statutes/fcra.htm> gives you the right to obtain a free copy of your credit report within 60 days of being denied credit because of information in your credit report.

## Credit Records

Credit Bureaus gather and sell credit information to record the creditworthiness of consumers. These records are the principal source of information about your credit history. If you have ever applied for any kind of credit or charge account then you probably have a file. This credit record will list:

- ◆ how you pay your bills
- ◆ If you have been sued
- ◆ If you have been sued
- ◆ If you have filed for bankruptcy
- ◆ Your conviction record
- ◆ Your medical information
- ◆ Your driving record

## Reviewing Your Credit Report

Your credit report is a record of your past performance in paying your bills. Use the following checklist to verify that all the information on your credit report is accurate and complete.

- \_\_\_\_\_ Obtain and review a copy of your credit report. Addresses of credit bureaus are listed in the section, Credit Bureau, in this mini-lesson.
- \_\_\_\_\_ Ask for the name and address of each business that supplied information to the credit bureau.
- \_\_\_\_\_ Request the names of all who received a copy of your credit report during the last six months. Information should be available on reports that were requested by perspective employers for two years.
- \_\_\_\_\_ Review your credit report. If you find errors, you can seek help from the credit bureau to correct or delete inaccurate or incomplete information. You may be

requested to supply additional information.

- \_\_\_\_\_ Keep a file on all the telephone conversations and correspondence regarding your credit report. Keep a telephone log that includes date, time, name of person you talked with, their title and notes on the conversation. If you send documentation, send copies of originals and send by certified mail.
- \_\_\_\_\_ If you have a billing error that is corrected by the business, get a letter from the business stating that the error has been corrected and request that they notify the credit bureau. The letter can be valuable evidence to support your claim.
- \_\_\_\_\_ Recheck your credit report to verify that it is complete and accurate. If the credit bureau cannot verify the disputed information, then it must be removed from your credit report.

**See our Web Sites on Credit Reporting at**  
<http://www.dfi.state.in.us/conscredit/end.htm>.

## Applying For Credit

When applying for credit, list your best credit accounts. It does not matter if they are opened or closed. You can include joint accounts with your husband or former husband. If you can prove that joint credit was established by both of you, even if it is only in your husband's name, then the creditor must accept it. This can be done by showing copies of the payment checks signed by you. For all joint accounts opened after June 1, 1977, the **Equal Credit Opportunity Act** - <http://www.law.cornell.edu/uscode/15/1691.shtml> states that they must be in both spouse's names.

**See our Web Sites on Applying for Credit at**  
<http://www.dfi.state.in.us/conscredit/end.htm>.

## Unfavorable Credit History

If your husband's credit history is negative, but does not realistically reflect your creditworthiness, there are several things you can do. You can contact your local credit bureau and add a statement to your credit record explaining the circumstances. Also when you apply for credit from a business or bank, explain the problem. Many banks will give you a credit card if you agree to keep an amount of money, generally \$250 to \$3000, in a savings account. The deposited money will serve as collateral for a credit card. Collateral is property (can be money) that a borrower offers as security to the lender to ensure that if the payments are not made, then the lender can take possession of the property.

Factors that lending institutions use to decide whether or not to grant credit to any customer include; credit history, collateral (in case the borrower defaults), a source of funds to repay a loan and the net worth of the borrower.

## Laws That Protect Women And Their Credit

Two important federal laws protect women's credit history and make it possible for them to obtain credit in their names. The Equal Credit Opportunity Act gives women the opportunity to establish their own credit history and identity, even if they are not employed. Under this Act, reports to credit bureaus must be made in the names of both husband and wife if both use the account and are equally responsible for repayment.

**See Web Site of Equal Credit Opportunity Act at**  
<http://www.law.cornell.edu/uscode/15/1691.shtml> .

The Fair Credit Reporting Act establishes the procedure for correcting mistakes on a credit report. You have the right to see what is in your credit file and have any errors corrected. The law also gives you the right to add a statement in your credit report explaining your side of the story for any negative item. If you have negative information in your credit report, the Fair Credit Reporting Act gives you the right to add a statement explaining your side of the situation.

**See Web Site of Fair Credit Reporting Act at** <http://www.ftc.gov/os/statutes/fcra.htm>.

If you have applied for credit and were denied, find out why you were denied. It may be unrelated to your credit usage. It may be that you have not been with your current employer long enough or that your history has been combined with another persons, or erroneous information was given by a business, or that there were too many inquiries on your credit report. An inquiry is noted on your credit report when anyone or business requests your credit report. Some businesses look at the number of inquires and may judge that you are trying to obtain more credit than you can afford.

**For more information about all credit laws, see the mini-lesson titled, Women and Credit Laws -** <http://www.dfi.state.in.us/conscredit/MiniLessons/womenlaw.htm> .

**See our Web Site on Women and Credit Laws at**  
<http://www.dfi.state.in.us/conscredit/WOLAW.htm>

## Financial Independence

Women who plan for financial self-reliance are more likely to be prepared to meet widowhood, divorce or other life changes than those who do not. Suggestions for gaining financial independence include:

- ◆ Establish credit in your own name so that you have a credit history independent of your spouse. Even with no income of your own, you should have separate savings, checking and credit accounts. You are responsible for managing your own accounts and no one can supervise your accounts better than you.

- ◆ With credit cards, you need to oversee the card's use. Make sure that your spouse does not run up an excessive amount of charges that together you cannot repay. You can do this by calling the credit card company regularly to check the status of the account.
- ◆ If you cosign for loans, it is important that you have some control over the source of income used for repayment. For example, couples owning a small business such as a professional practice are sometimes required by lending institutions to cosign or guarantee the business loans. Generally these loans are controlled by the spouse who operates the business and the other spouse may have little input into the decisions affecting the company. If the business fails and you have cosigned the loans, you must assume shared responsibility for repayment of the loans.
- ◆ Establish a bank account in your name when you close all joint accounts. You need access to cash for living expenses. A three to six month cash cushion is advised for day-to-day expenses.
- ◆ Plan your retirement savings with the possibility of divorce or widowhood in mind. Some women depend exclusively on their spouse's pension, and if there is a divorce, they may no longer be the beneficiary. However, many courts feel that the marriage estate includes the wife's contribution to her husband's ability to earn. Using this line of reasoning, if there is a divorce then the wife would be entitled to a share of the retirement benefits.

**See our Web Sites on Opening a Bank Account** at <http://www.dfi.state.in.us/uccc/opening%20a%20bk%20acct.html> and

**Checking Account Information** at [http://www.dfi.state.in.us/conscredit/checking\\_account\\_information.htm](http://www.dfi.state.in.us/conscredit/checking_account_information.htm).

# DISCUSSION QUESTIONS AND TOPICS

1. If you are in the midst of a divorce, what precautions should you take to protect your credit record?
2. What financial responsibilities are created when there is a joint account? If you are divorcing, when should you contact your creditors?
3. What is a credit bureau and how important is it to your credit use?
4. Does the credit bureau decide whether or not you are granted credit?
5. What should you do if your spouse's bill-paying habits are reflected on your credit record?
6. How can a women establish her own credit identity?
7. What are your credit rights as defined by the Equal Credit Opportunity Act and the Fair Credit Reporting Act?



# ACTIVITY

**A Case Study:** Linda and Tom recently separated after five years of marriage. The divorce decree states that Tom will be responsible for paying the balance on four jointly held credit card balances. After three months, two of the credit card companies notify Linda that they want repayment from her because Tom has not paid on the accounts. She promptly notified the creditors that these accounts became Tom's responsibility after the divorce. The creditors informed Linda that her name was on the accounts and that if Tom would not or could not pay, then she was legally responsible for these debts.

- ◆ What action should Linda take?
- ◆ How can she protect her credit record?
- ◆ How could she have protected her credit record?

Give students copies of our Brochures.

## SOURCES OF ADDITIONAL INFORMATION

***The ABCs of Managing Your Money***, Pond, Jonathan D., Denver: National Endowment For Financial Education, 4695 S. Monaco Street, Denver, CO 80237-3402. (1993).

***Divorce and Money***, Woodhouse, Violet, New York: Nolo Press. (1993).

***The Lifetime Book of Money Management***, Weinstein, Grace W., Detroit: Visible Ink Press. (1993).

***Women and Money: A Guide For the 90's***, Jones-Lee, Anita, New York: Barron's Educational Series. (1991).

***The Ultimate Credit Handbook:- How to Double Your Credit, Cut Your Debt, and Have a Lifetime of Great Credit***, Detweiler, Gerri, New York: Plume Book. (1993).

## Internet

Credit and Divorce at <http://www.dfi.state.in.us/conscredit/divorce.htm>.

Women and Credit Histories at <http://www.dfi.state.in.us/conscredit/womencr.htm> .

Women and Credit Laws at <http://www.dfi.state.in.us/conscredit/WOLAW.htm> .

Link to Women's Finance at <http://www.womensfinance.com>.

OPPORTUNITY. . . .

*The Equal Credit Opportunity Act* requires that all credit applicants be considered on the basis of their actual qualifications for credit and not be turned away because of age, gender, marital status, race, color, religion, national origin, because they receive public income such as welfare or Social Security, or because they exercise their rights under Federal credit laws such as filing a billing error notice with a creditor. A creditor may not use any of those grounds to discourage you from applying for credit; refuse you credit if you qualify; or lend you money on terms different from those granted another person with similar income, expenses, credit history, and collateral. The Act also provides that an individual may choose to rely on the credit history of a spouse or former spouse if it can be shown that the individual helped to build up that history.

QUALIFYING. . . .

Creditors determine whether or not you're a good credit risk by evaluating:

*Your ability to repay*, as indicated by how much of your income is left over after you pay your basic expenses every month. Creditors ask for employment information: your occupation, how long you've worked, and how much you earn. They want to know your expenses, how many dependents you have, whether you pay alimony or child support, and the amount of your other obligations.

*Your assets*, such as a house, bank account, or insurance policy; anything that would serve as security for the creditor if you couldn't meet your payment. Creditors want to know what you may have that could be used to back up or secure your loan and what sources you have for repaying debts other than income.

*Your credit history*, showing what debts you've had before and how you've managed them. They look at how much you owe, how often you borrow, whether you pay bills on time, and whether you live within your means. They also look for signs of stability: how long you've lived at your present address, whether you own or rent, and length of your present employment.

*Your attitude* is important, too, because the creditor has to decide whether you're the kind of individual who will act responsibly in using credit. Appearance and behavior have been known to influence a creditor's decision.

BEGINNING. . . .

You may qualify in all respects except for a credit history. Building a credit history takes time and patience. This problem affects young people just beginning careers as well as older people who have never used credit. You may have to start in a small way and build up slowly. Here are some suggestions:

Establish a savings and/or checking account. Creditors look on them as evidence that you're able to handle money.

Borrow against the security of your savings account at the bank. The interest you pay on the "passbook" loan will be partly offset by the interest your account keeps on earning, so the loan will cost you less than a regular small loan would.

Buy something on time at a major store or open a local department store charge account and pay your bills promptly. This is a stepping stone to other kinds of credit.

Apply for a gasoline credit card.

If you can't get credit on your own, you might ask a relative or a friend who already has a good credit standing to cosign your loan application and share your liability. Once you have repaid the debt, try again to get credit on your own.

If you're new in town, write for a summary of any credit record kept by a credit bureau in your former town. (Ask the bank or department store in your old hometown for the name of the agency it reports to.)

Before applying for credit, ask whether the creditor reports credit history information to credit bureaus serving your area. Most creditors do, but some do not. If possible, you should try to get credit that will be reported. This builds your credit history.

If you believe you're creditworthy, keep trying to establish your credit. Don't be discouraged. Shop around. Persistence has a way of paying off.

BENEFITS. . . WARNING. . . .

Credit is a good thing when used wisely. It lets you buy necessities when you're short of cash and luxuries when you want them. Without credit you might have to put off buying what would be useful or desirable.

But, like other good things, credit can be misused. Borrowing can be addictive and may be dangerous to your financial health.

REMEMBER. . . .

Credit isn't usually free. It's paid for by interest charges that vary with the type of creditor, kind of credit, and the time period involved.

Credit isn't more money. It's a convenience that lets you enjoy certain benefits now that you'll have to pay for later on.

It's important to keep your payments up to date. If you run into a problem because of unforeseen difficulties, discuss it with your creditors.

It's important to keep track of how much you owe overall, so that when you do get your credit established, you won't take on more debt than you can handle.

Be wary of ads that promise you "instant credit" or "a major credit card regardless of your lack of credit history or past credit record." If asked for money up-front to get you a loan, be aware, it may be a scam and you'll never see your money again and still won't have a loan.

The people who get the most out of credit understand that:

**Credit isn't a right to be expected. It's a privilege to be protected.**

BORROWING BAROMETERS. . . .

How much debt you can handle depends on your family situation, assets, income, expenses, employment status, age, health, and a lot more. If your monthly payments are more than what's left over from your weekly paycheck after basic expenses, you may be headed for trouble.

IF YOU'RE TURNED DOWN. . . .

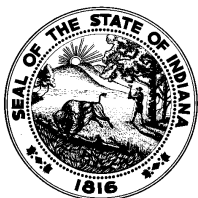
If you are rejected for credit, find out why. There may be reasons other than lack of credit history. Your income may not meet the creditor's minimum requirement or you may not have worked at your current job long enough. Time may resolve such problems. You could wait for a salary increase and then reapply, or simply apply to a different creditor. However, it is best to wait at least 6 months before making each new application. Credit bureaus record each inquiry about you. Some creditors may deny your application if they think you're trying to open too many new accounts too quickly.



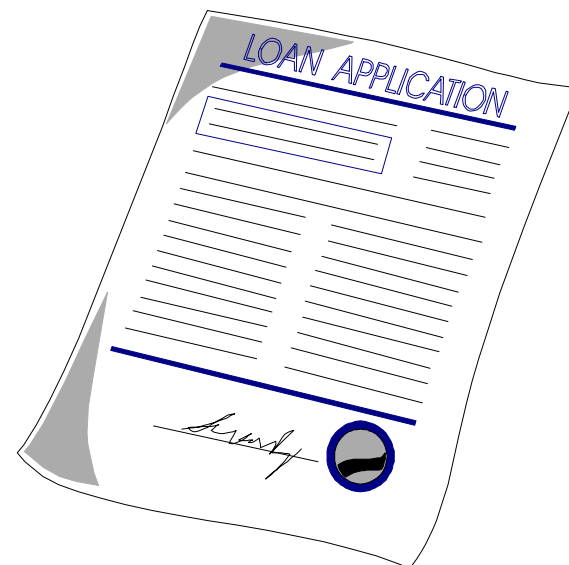
The Indiana Department of Financial Institutions,  
Division of Consumer Credit has many other credit  
related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit Reporting and Scams  
Debt Collection Problems?  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
How to Cut the Costs of Credit  
Identity Theft  
Look Before you Lease  
Mortgage Loans  
Older Consumers  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Secured Credit Card Scams  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on  
the cover for a copy of any of the brochures listed or  
for further consumer credit information. You can  
also access information at our web site on the  
Internet: <http://www.dfi.state.in.us>, then click on  
Consumer Credit.



# Applying for Credit



## DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division  
402 West Washington Street, Room W066  
Indianapolis, Indiana 46204  
317-232-3955  
1-800-382-4880  
Web Site <http://www.dfi.state.in.us>



## CREDIT AND DIVORCE

*Jane and John were recently divorced. Their court-approved divorce decree stated that John would pay the balances on their three joint credit card accounts. Some months later, after John neglected to pay off these accounts, all three creditors contacted Jane for payment. She referred them to the divorce decree, insisting that she was not responsible for the accounts. The creditors stated, correctly, that they were not parties to the divorce decree and that Jane was still legally responsible for paying off the couple's joint accounts. Jane later found out that the late payments appeared on her own credit report.*

If you have recently been through a divorce, or are contemplating one, you may want to look closely at issues involving credit. As the above example illustrates, you may discover unanticipated problems. Understanding the different kinds of credit accounts opened during a marriage may help illuminate the potential benefits and pitfalls of each.

There are two types of credit accounts: individual and joint. With either type, you can permit authorized users to use the account. When you apply for credit, whether a credit card or a mortgage loan, you will be asked to select one kind.

### Individual Accounts

When you apply for an individual account:

- ◆ Only your own income, assets, and credit history are considered by the creditor.
- ◆ Whether married or single, you alone are responsible for paying off the debt on this account.
- ◆ The account will appear only on your credit report.

### Advantages/Disadvantages:

If you are able to open an account in your own name, nobody else can adversely affect your credit record.

For spouses who do not work for pay outside the home, work part-time, or work in lower-paying jobs, it may be difficult to demonstrate a strong financial picture without the income of the other spouse.

### Joint Accounts

The income, financial assets, and credit history of both spouses are taken into consideration for a joint account. No matter who actually handles the household bills, both spouses are responsible for seeing that all debts are paid. A creditor who reports the credit history of a joint account to credit bureaus must report it in both names.

### Advantages/Disadvantages

A joint application combining the financial resources of two people may present a stronger case to a creditor for granting a loan or credit card.

But because both spouses applied together for the credit, each is legally responsible to the creditor for the entire debt accumulated. This is true for a joint account even if a divorce decree assigns separate debt obligations to each spouse.

A former spouse can adversely affect another spouse's credit history on jointly-held accounts; for example, by running up bills and not paying them.

### "Users" on Your Account

If you open an individual account, you may authorize another person to use that account. If the "user" is a spouse, a creditor who reports the credit history to a credit bureau must report it in the name of the spouse as well as in the individual's name.

While a "user" may use the account, they are not contractually liable for paying the debt. If you are permitting others to use your credit card, know that you alone are responsible for paying the bills.

### What to do in the Event of Divorce

If you are contemplating divorce or separation, be sure to pay attention to the status of your credit accounts. If you maintain joint accounts during that

time, it is important to make regular payments or your credit might suffer.

You may want to ask creditors to close any joint accounts or accounts in which your former spouse was an authorized user. Or, preferably, ask the creditor to convert these accounts to individual ones or to the name of the spouse handling that debt.

By law, a creditor cannot close a joint account because of a change in marital status, but can do so at the request of either spouse.

A creditor, however, does not have to agree to change joint accounts to individual ones. The creditor can require you to reapply for credit on an individual basis and then, based on your new application, extend or deny you credit.

### REMEMBER. . . .

- ◆ If you are divorcing your spouse, pay special attention to credit accounts held jointly, including mortgage, home equity loans, and credit cards.
- ◆ A joint account means both spouses are legally responsible to the creditor for the account. This is true even if a divorce decree makes one spouse responsible for paying off the joint account (since creditors are not a party to this agreement).
- ◆ In conjunction with a divorce, ask creditors to close any joint accounts. Try to convert to or reopen these as individual accounts.
- ◆ On joint-held accounts, your credit record will suffer if a former spouse handles it irresponsibly. This could happen, for example, if a former spouse makes numerous charges on a credit card and then refuses to pay.

**If you signed the contract, you are still legally responsible for payment if your spouse does not pay.**

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit

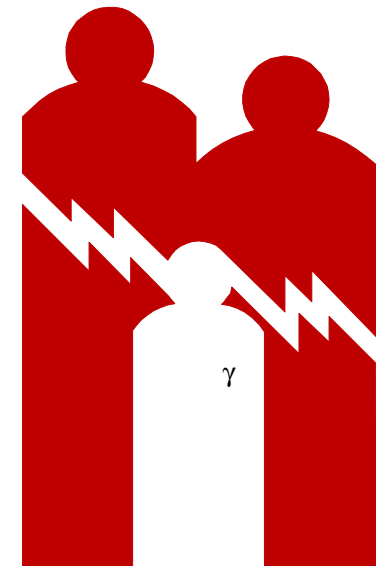
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



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# CREDIT & DIVORCE



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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Indianapolis, Indiana 46204  
317-232-3955  
1-800-382-4880  
Web Site <http://www.dfi.state.in.us>





You and your husband apply for a loan. The application is denied because of "insufficient income." You think this means that your salary was not counted. **What do you do?**

You are single and want to buy a home. The bank turns you down for a mortgage loan, even though you feel sure that you meet its standards. **What do you do?** You may have a complaint under the Equal Credit Opportunity Act.

**What is the Equal Credit Opportunity Act?**

The Equal Credit Opportunity Act (ECOA) is the federal law which, among other things, says that everyone has the right to apply for credit without fear of discrimination on the basis of sex, marital status, race, color, religion, national origin, age, reliance on income from public assistance, or because you may have exercised rights under the Consumer Protection laws.

**Who is Subject to ECOA?**

All banks, savings and loans, credit unions, finance companies, department stores, credit card issuers, car and appliance dealers, and others who regularly participate in credit decisions must comply with the ECOA.

**What is Creditworthiness....**

Creditors choose various criteria to rate you as a credit risk. They may ask about your finances; how much you earn, what kinds of savings and investments you have, what your other sources of income are. They may look for signs of reliability; your occupation, how long you've been employed, how long you've lived at the same address, whether you own or rent your home.

They may also examine your credit record: how much you owe, how often you've borrowed, and how you've managed past debts.

The creditor wants to be assured of two things: your ability to repay the debt and your willingness to do so. The ECOA does not change this standard of creditworthiness.

**Applying for Credit..**

A creditor may not discourage you from applying for credit just because you are a woman, or single, or married. When you fill out a credit application you know that there are only certain questions a creditor may ask about your sex or marital status.

You may not be asked your sex on a credit application unless you are buying or refinancing a home. Just because you are a woman, a creditor may not turn you down.

You do not have to choose a courtesy title (Miss, Ms., Mrs.) on a credit form.

A creditor may not request your marital status on an application for an individual, unsecured account where no community property is involved.

**Rating You as a Credit Risk..**

To make sure that your application is treated fairly, there are certain other things that a creditor may not do in deciding whether you are creditworthy.

**Specifically, a creditor may not:**

- ◆ refuse to consider your income because you are a married woman, even if your income is from part-time employment;
- ◆ ask about your birth control practices or your plans to have children. A creditor may

not assume that you will have children or that your income will be interrupted to do so;

- ◆ refuse to consider reliable alimony, child support, or separate maintenance payments. However, you don't have to disclose such income unless you want to in order to improve your chances of getting credit.
- ◆ consider whether you have a telephone listing in your own name, because this would discriminate against married women;
- ◆ consider your sex as a factor in deciding whether you are a good credit risk; and
- ◆ use your marital status to discriminate against you.

A creditor may not refuse to grant you an individual account just because of your sex or marital status.

The law says that a woman has a right to her own credit if she is creditworthy. If you are getting married, remember that you can keep your own credit accounts and credit record.

See our Brochure on Equal Credit Opportunity.

**For More Information**

The Federal Trade Commission enforces the federal credit law given in this brochure and provides consumers with free information. For brochures, write to: Public Reference, Federal Trade Commission, Washington, D.C. 20580, <http://www.ftc.gov>.



The Indiana Department of Financial Institutions,  
Division of Consumer Credit has many other credit  
related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
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cover for a copy of any of the brochures listed or for  
further consumer credit information. You can also access  
information at our web site on the Internet:  
<http://www.dfi.state.in.us>, then click on Consumer Credit.



# EQUAL CREDIT OPPORTUNITY AND WOMEN



## DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division  
402 West Washington Street, Room W066  
Indianapolis, Indiana 46204  
317-232-3955  
1-800-382-4880

Web Site <http://www.dfi.state.in.us>



## WHAT IS A CREDIT REPORT?

Your credit report contains important information about you. It generally includes facts about your identity, where you work, live, your bill-paying habits, and public record information. Credit grantors use credit reports to determine whether or not you will be extended credit. Identity information includes your name, address, marital status, Social Security number, date of birth, number of dependents, and previous addresses. Employment data includes your present position, length of employment, income, and previous jobs. Factual information about your credit history consists of your credit experiences with specific credit grantors. Public record information includes civil suits and judgments, bankruptcy records or other legal proceedings recorded by a court. A credit report does not contain information on arrest records, specific purchases, or medical records.

Companies called credit reporting agencies or credit bureaus compile and sell your credit report to businesses, which use it to evaluate your applications for credit, insurance, employment, and other purposes allowed by federal law. Therefore, it is important that your credit report contain complete and accurate information.

It is advisable that you review your credit report every three or four years to check for inaccuracies or omissions. You also may want to check your report sooner if you are considering a major purchase, such as buying a home.

## HOW CAN I OBTAIN A CREDIT REPORT?

If you have been denied credit, insurance, or employment because of information that was supplied by a credit reporting agency, the Fair Credit Reporting Act requires the report recipient to give you the name and address of the credit reporting agency that supplied the information within 30 days after the credit was denied. If you contact that agency within 60 days of receiving the denial notice, you can receive a **free** copy of your credit report.

If you simply want a copy of your report, call the credit reporting agencies listed in the Yellow Pages under "credit" or "credit rating and reporting." Call each credit report agency listed since more than one agency may have a file on you, some with different information. You may have to pay a reasonable charge for each report.

Three large national credit bureaus supply most credit reports: Experian, Equifax, and Trans Union. You may want to contact each of them for a copy of your report.

**Experian** (Formerly TRW ) <http://www.experian.com>  
P.O. Box 949  
Allen, TX 75013-0949  
(888)397-3742  
Free

**Equifax Credit Information Services, Inc.** <http://www.equifax.com>  
P.O. Box 740241

Atlanta, GA 30374-0241  
(800) 685-1111  
\$8 Fee

**Trans Union Corporation** <http://www.transunion.com>  
Trans Union Consumer Relations  
760 West Sproul Road, P.O. Box 390  
Springfield, PA 19064-0390  
(800) 916-8800  
\$8 Fee

When you show proper identification, the credit reporting agency must then disclose to you all its information and identify the sources of that information. The law requires the credit bureau to disclose the "nature and substance" of the information in the file. You must also be informed about anyone who obtained reports for employment purposes in the past two years, plus the names of all others who requested credit reports or other information about you in the past six months.

A consumer reporting agency will send a **free report** once in any 12-month period upon request of a consumer **if** the consumer is unemployed and intends to apply for employment in the 60-day period beginning on the date on which the certification is made, is a recipient of public welfare assistance, or has reason to believe that the file on the consumer at the agency contains inaccurate information due to fraud.

## HOW CAN I CORRECT ERRORS ON MY CREDIT REPORT?

You have the right, under the Fair Credit Reporting Act, to dispute the completeness and accuracy of information in your credit file. When a credit reporting agency receives a dispute, it must reinvestigate and record the current status of the disputed items within a "reasonable period of time," unless it believes the dispute is frivolous or irrelevant."

**If the credit reporting agency cannot verify a disputed item, it must delete it.**

**If your report contains erroneous information, the credit reporting agency must correct it. For example, if your file showed an account that belongs to another person, the credit reporting agency would have to delete it.**

**If an item is incomplete, the credit reporting agency must complete it. For example, if your file shows you were late in making payments on accounts, but failed to show that you were no longer delinquent, the credit reporting agency must show that your payments are now current.**

**At your request,** the credit reporting agency must send a notice of correction to any report recipient who has checked your file in the past six months.

## WHAT CAN I DO IF I HAVE A DISPUTE?

You must make your dispute directly to the credit reporting agency. Although the Fair Credit Reporting Act does not require it, the Federal

Trade Commission staff recommends that you submit your dispute in writing, along with copies (NOT originals) of documents that support your position.

In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute; explain why you dispute the information; state the facts; and request deletion or correction. You may want to enclose a copy of your report with the items in question circled.

Send your dispute by certified mail, return receipt requested and keep copies of your dispute letter and enclosures.

## DUTY TO CORRECT AND UPDATE INFORMATION ..

A person who furnishes information to one or more consumer reporting agencies and has furnished to a consumer reporting agency information that the person determines is not complete or accurate, shall promptly notify the consumer reporting agency of that determination and provide any corrections to that information to the agency and any additional information that is necessary to make the information provided by the person to the agency complete and accurate. The person shall not thereafter furnish to the agency any of the information that remains not complete or accurate.

## CLOSED ACCOUNTS. . .

A person who regularly and in the ordinary course of business furnishes information to a consumer reporting agency regarding a consumer who has a credit account with that person shall notify the agency of the voluntary closure of the account by the consumer, in information regularly furnished for the period in which the account is closed.

## YOUR SIDE OF THE STORY. . .

If a reinvestigation does not resolve your dispute, you can file a statement of up to 100 words to explain your side of the story. The credit reporting agency must include this explanation in your report each time it sends the report out. As well as to each report made within 60 days prior to your request. Credit reporting agency employees often are available to help you word your statement.

## ARE ALL MY ACCOUNTS LISTED IN MY CREDIT REPORT?

Most credit grantors report their data to credit bureaus at least monthly. Some smaller lenders, however, do not report information to credit bureaus.

## HOW LONG WILL INFORMATION STAY ON MY REPORT?

Be aware that when negative information in your report is accurate, only the passage of time can assure its removal. Credit reporting



agencies are permitted by law to report bankruptcies for 10 years and other negative information for 7 years.

Also, any negative information may be reported indefinitely for use in the evaluation of your application for:

- ◆ \$150,000 or more in credit;
- ◆ a life insurance policy with a face amount of \$150,000 or more; or
- ◆ consideration for a job paying \$75,000 or more.

### ADDING ACCOUNTS TO YOUR FILE...

Your credit file may not reflect all of your credit accounts. Although most national department stores and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to credit reporting agencies.

If you have been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that do not appear in your credit file, you can ask the credit reporting agency to add this information to future reports. Although they are not required to do so, many credit reporting agencies will add other verifiable accounts for a fee.

### WHAT ABOUT A CREDIT REPAIR COMPANY?

It is recommended that a credit repair company be looked at long and hard before being used. The law gives a consumer certain rights to accuracy in the credit report. If a credit report is repairable, it can be done by the consumer. If it contains accurate, negative information, handing money to a credit repair company will not help. They cannot remove accurate information or information you cannot have removed.

### WHO CAN ORDER MY CREDIT REPORT?

There are limited circumstances under which a credit bureau may furnish consumer credit reports. These permissible purposes are:

- ◆ In connection with credit or collection transactions.
- ◆ For employment purposes.
- ◆ For the underwriting of insurance.
- ◆ For the determination of a consumer's eligibility for a license.
- ◆ Other legitimate business transactions initiated by you.
- ◆ To review an account to determine whether you continue to meet the terms of the account.
- ◆ Court orders meeting specific requirements.
- ◆ At the your written instruction.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems

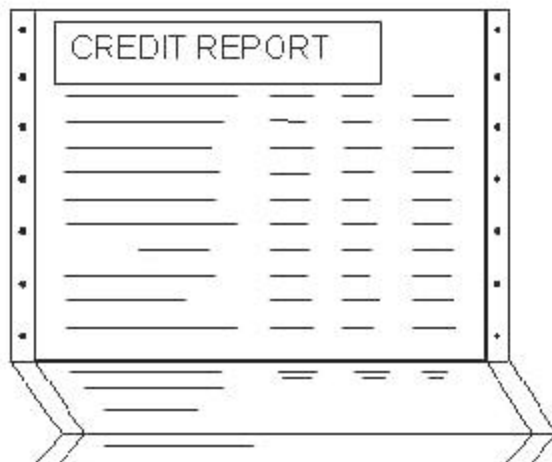
Applying for Credit  
At Home Shopping Rights  
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Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
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# FAIR CREDIT REPORTING

## DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division  
402 West Washington Street, Room W066  
Indianapolis, Indiana 46204  
317-232-3955  
1-800-382-4880  
Web Site <http://www.dfi.state.in.us>



Congratulations on Your Decision to Open a Bank Account!

Your money is hard earned and a precious commodity. You have decided that a bank is the safest place to store it. The Indiana Department of Financial Institutions strives to help Indiana consumers make educated decisions about managing their money.

To help you, we have developed the following questionnaire. It contains items you may want to consider when deciding which type of bank account to open and at which bank.

Before you begin shopping for a bank account, answer the following questions. It will be helpful for you to know this information when describing your needs to a customer service representative:

- Do I wish to access my funds using checks, or do I only need access to cash occasionally?

(If you would like to pay bills through the mail or want to have the freedom to pay retailers even when you don't have cash with you, you may want to consider opening a checking account.)

- If I plan to open a checking account, about how many checks do I plan to write each month?

(If you plan to make eight or fewer withdrawals each month using an ATM machine or writing a check, a Basic Banking account may be right for you. If you think that you will use your checks or ATM card frequently, look for an account with the most flexible usage agreement.)

- Do I want to save some of my money for a special purpose?

(If so, you may want to ask about a savings account, a CD, or a Holiday or Vacation Club account.)

- How much money am I confident that I am able to maintain in the account at all times?

(Certain checking accounts require you to maintain a certain minimal balance at all times in order to pay lower fees for the bank's services.)

Below, make some notes about other thoughts or questions that you want to share with a customer service representative before deciding which account to open:

Educated consumers "shop-around" to be sure they are getting the best deal. We recommend that you call or visit at least three banks before making a decision. To be sure that you are getting all of the features that you need, answer the following questions to evaluate and compare the different accounts that you have researched:

Bank No. 1:

Name / location of bank

Is this bank close to my home or my work?

Does this bank operate during hours that are convenient for me, and/or is the bank's ATM (see Glossary) network convenient?

Do any of the employees speak my language?

Does this account offer the services that I need and want?

Does this account pay interest? At what rate?

What fees are associated with this account?

What does the bank charge for overdraft protection (see Glossary)?

What type of identification will I need to open this account?

What is the monthly service charge?

Do I have to maintain a certain balance to avoid paying fees? Can I afford to maintain that balance?

Is this account protected by FDIC insurance? Yes No

Notes:

Bank No. 2:

Name / location of bank

Is this bank close to my home or my work?

Does this bank operate during hours that are convenient for me, and/or is the bank's ATM (see Glossary) network convenient?

Do any of the employees speak my language?

Does this account offer the services that I need and want?

Does this account pay interest? At what rate?

What fees are associated with this account?

What does the bank charge for overdraft protection (see Glossary)?

What type of identification will I need to open this account?

What is the monthly service charge?

Do I have to maintain a certain balance to avoid paying fees? Can I afford to maintain that balance?

Is this account protected by FDIC insurance? Yes No

Notes:

Bank No. 3:

Name / location of bank

Is this bank close to my home or my work?

Does this bank operate during hours that are convenient for me, and/or is the bank's ATM (see Glossary) network convenient?

Do any of the employees speak my language?

Does this account offer the services that I need and want?

Does this account pay interest? At what rate?

What fees are associated with this account?

What does the bank charge for overdraft protection (see Glossary)?

What type of identification will I need to open this account?

What is the monthly service charge?

Do I have to maintain a certain balance to avoid paying fees? Can I afford to maintain that balance?

Is this account protected by FDIC insurance? Yes No

Notes:

GLOSSARY OF TERMS

**ATM** – Automated Teller Machine. Most banks have machines in its lobbies or at a location outside of the bank that allow customers to use a machine to deposit or withdraw from their account. ATMs are also commonly referred to as "bank machines." When opening an account, customers must obtain an ATM card for access to the ATM.

**Basic Banking Account** –Features may include a minimum initial deposit, a minimum balance, and a minimum number of withdrawal transactions to be permitted during a periodic cycle at no additional charge. The withdrawals may be by check or through the use of a proprietary ATM. Some banking institutions offer low-cost accounts with alternative features referred to by a name other than Basic Banking.

**Overdraft** – Overdrafts occur when customers write checks for more than the balance that exists in their checking account. This is commonly referred to as "bouncing a check." This happens when the customer miscalculates the balance in the account. This is an improper procedure, and banks usually charge a penalty for this. Additionally, the merchant you initially wrote the check out to may impose a fine as well.

**Withdrawal transaction** – Any activity that involves taking money out of your account, resulting in a lower balance in your account. Writing a check and taking money from an ATM are both considered withdrawal transactions.



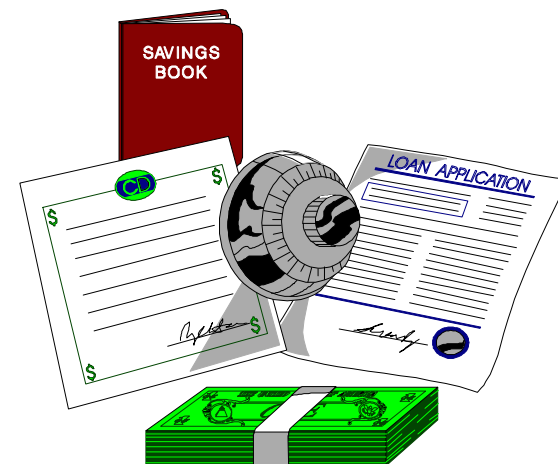
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
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# OPENING A BANK ACCOUNT



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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